

Internal Revenue Service

Department of the Treasury

Regional  
Commissioner

Southwest Region

CERTIFIED MAIL

Address any reply to Appeals Office  
Room 12B25, 1100 Commerce St  
Dallas, Texas 75242

Person to Contact

Telephone Number

Refer Reply to

Date AUG 13 1981

• Dear Sir or Madam:

This is a final adverse determination with respect to your exempt status under Section 501(c)(3) of the Internal Revenue Code.

The adverse determination was made because you are not operated exclusively for charitable and/or educational purposes in publishing, distributing, and selling the written materials you produce. Also you are operated for private rather than public purposes.

Contributions made to your organization are not deductible under Section 170 of the Internal Revenue Code.

You are required to file Federal Income Tax returns with your Key District Director for exempt organization matters for taxable years for which the filing date of the appropriate return has passed. These returns should be filed within 30 days of the date of this letter, unless a request for extension of time is granted. Please send them to the attention of the Dallas EP/EO Division, attach a copy of this letter, and address any request for time extensions to the EP/EO Division. Processing of an income tax return and assessing any taxes due will not be delayed because a petition for a declaratory judgment has been filed under Section 7428 of the Internal Revenue Code.

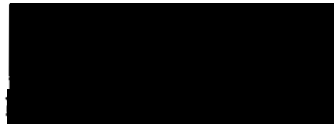
We will notify the appropriate State officials, as required by Section 6104(c) of the Code, that based on the information we have available, we are unable to recognize you as an organization described in Section 501(c)(3) of the Internal Revenue Code for the period mentioned.

If you decide to contest this determination in court, a petition for a declaratory judgment proceeding in the United States Tax Court, the United States Court of Claims, or the United States District Court for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the Clerk of the appropriate court for rules for filing petitions for declaratory judgment. For more information, please see the declaratory judgment section of the enclosed Publication 892.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,

A solid black rectangular box used to redact the signature of the Associate Chief.

Associate Chief

Enclosure:  
Publication 892

**Internal Revenue Service**

**Department of the Treasury**

District  
Director

1100 Commerce St. Dallas, Texas 75242

Person to Contact.

Telephone Number.

Refer Reply to

Date

**APR 10 1980**

Gentlemen:

We have considered your application for recognition of exemption from Federal income tax under section 501 (c)(3) of the Internal Revenue Code.

The information furnished disclosed that you were incorporated [REDACTED], under the laws of the State of [REDACTED]. Your purpose briefly stated is the selling and promoting of educational materials to religious and educational organizations and public. The educational materials teach the development of healthy mental attitudes, the participation in religious and patriotic activities, and how to achieve success with health and happiness.

Contributions are made to non-profit educational and religion organizations. The organization is not a membership organization. Your income for the period ending [REDACTED] is entirely from the retail sale of educational organizations and the public. Some honorariums will be received in [REDACTED] and [REDACTED] as budgeted. The net profit for the period ending [REDACTED] is \$[REDACTED]. The net profit budgeted for [REDACTED] and [REDACTED] is \$[REDACTED] and \$[REDACTED] respectively. One contribution of \$[REDACTED] was contributed to [REDACTED].

Section 501(c)(3) of the Code provides exemption for:

"Corporations...organized and operated exclusively for religious, charitable,...or educational purposes,...no part of the net earnings of which inures to the benefit of any private shareholder or individual..."

Section 1.501(c)(3)-1(b)(1)(i) of the Income Tax Regulations provides that an organization is organized exclusively for one or more exempt purposes only if its Articles of Organization -

- "(A) Limit the purposes of such organization to one or more exempt purposes; and
- (B) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes."

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that:

"An organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3)..."

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that all the organizations there described must serve a public rather than a private interest.

Section 1.502-1(a) of the Regulations provide: "In the case of an organization operated for the primary purpose of carrying on a trade or business for profit, exemption is not allowed under section 501 on the ground that all the profits of such organization are payable to one or more organizations exempt from taxation under section 501. In determining the primary purpose of an organization, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of those activities of such organization which are specified in the applicable paragraph of section 501."

Revenue Ruling 60-351, 1960-2 C.B. 169 provides where the dissemination of published material has the characteristics of a trade or business, it is not in furtherance of an exempt purpose.

In tax court case Forest Press, Inc 22 T.C. 265 (1954), acq. 1954-2 C.B.4. The organization was held exempt because the small operating profit did not characterize the purposes of this operation as business purposes.

The activity of selling of motivational type materials to religious and educational organizations and the public constitutes a substantial activity in relation to your other activities to educate the public and make contributions to charitable and educational organizations. Furthermore, the size of your net profit and projected net profits are indicative of a trade or business.

Since the charitable and educational activities consist of a small percentage of your activities, it is concluded that your primary purpose is to operate a trade or business as evidenced by a substantial profit and that you are not exempt from Federal income tax under section 501(c)(3) of the Code. You are required to file Federal income tax returns on form 1120.

[REDACTED]

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If we do not hear from you within 30 days, this letter will be our determination in the matter.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosures:  
Publication 892